
IOWA UTILITIES BOARD
Energy Section

Docket No.: EAC-2011-0007

TF-2011-0129

Utility: Interstate Power and Light
Company

File Date/Due Date: 11/18/11-12/16/11

Memo Date: 12/5/11

TO: The Board

FROM: Parveen Baig
Jim Kellenberg

SUBJECT: Request to Docket EAC-2011-0007 and TF-2011-0129 (Regional
Transmission Service Rider Compliance Filing and Tariff)

I. Background

On November 18, 2011, Interstate Power and Light Company (IPL) filed with the Utilities Board (Board) its First Year Compliance Filing and Tariff (reconciliation filing) for its Regional Transmission Service Rider (Rider). The filing is in compliance with the Board orders of January 10, 2011, and February 25, 2011, in Docket Nos. RPU-2010-0001 and TF-2011-0010. The Rider provides the adjustment mechanism that reflects the estimated transmission expenses assigned to each particular customer class and the estimated kW or kWh effective January 1 of the upcoming year. The reconciliation filing includes a proposed 2012 Rider tariff as well as 1) the calculation of the Rider factors; 2) the reconciliation of the prior year (2011) transmission expenses and corresponding Rider revenues; 3) the estimated 2012 transmission expenses; and 4) the billing determinants. IPL made a supplemental filing on December 1, 2011, in response to a staff request for additional documentation for an expense number.

The cumulative Rider balance from the October 2011 monthly transmission expense report filing in EAC-2011-0007 is included in with the estimated 2012 transmission expenses. The Rider balance represents the cumulative over/under recovery of transmission expenses from the date that the Rider was implemented, February 25, 2011, through the October 2011 revenue month, or about an eight month period. The over/under recovery for the revenue months of November and December 2011 using the current Rider factors will be reconciled as part of the next year's annual filing, in order to reflect an entire 12 month period in next year's annual filing. The 2011 Rider balance shows a \$256,889 over-collection, or refund amount.

The Central Iowa Power Cooperative (CIPCO) investment true-up, which is an annual amount of \$205,728, is included in the reconciliation filing. The CIPCO investment true-up was a contested issue in the Docket No. RPU-2010-0001 proceeding.

IPL did not include any CIPCO investment true-up charges in its monthly reports through October 2011. However, IPL has included in its annual reconciliation calculations the recovery of the 2010 estimated expenses of \$205,728 associated with the CIPCO investment true-up. For the eight months of 2011 (March through October), IPL has included \$137,152 as the recovery portion of the CIPCO true-up.

In its reconciliation filing, IPL also included \$205,728 in its projected 2012 transmission expenses for the CIPCO investment true-up charges. On pages 7 and 8 of its reconciliation filing, IPL provided the following reasoning for including these charges in its projections:

The CIPCO invoices included as part of the monthly transmission expense reports reflect two separate charges, the Network Integration Transmission Service (NITS) charge and the Transmission Investment Credit/True-up charge. The Board's January 10, 2011, Order in Docket No. RPU-2010-0001 on page 138, Finding of Fact 21, approved recovery of CIPCO transmission charges. During the Docket No. RPU-2010-0001 proceeding, the level of recovery associated with the Transmission Investment Credit/True-up Charge was at issue.

Consistent with the Board's Order, and to mitigate this issue, IPL agreed not to adjust Rider RTS for changes in the CIPCO investment/true-up; however, IPL did not agree to forego recovery of the test year investment credit/true-up. On page 75 of the Board's Order, it referenced IPL's agreement in footnote 10. In addition, the Board's Order on pages 63-66 discusses the CIPCO true-up costs. Specifically, the Board states on page 66 of the Order:

The CIPCO true-up costs paid by IPL are known and measurable and are incurred in providing electric service to IPL's customers. IPL's customers, although largely served by transmission formerly owned by IPL and now owned by ITC Midwest, also must use other systems such as CIPCO's to receive service, and the true-up charges paid by IPL provide benefit to IPL's electric customers.

IPL's final rates compliance filing included all of the test year estimated CIPCO expenses, including the \$205,728 associated with the investment true-up, when IPL developed the amount of

transmission expenses to back out of base rates. This resulted in the investment true-up amount incorrectly being backed out of base rates. In addition, IPL has not been tracking any of investment true-up expenditures through the rider as a result of the Board's Order on page 75. However, IPL should be recovering the 2009 test year CIPCO true-up through rates, consistent with page 66 of the Board's Order, either through the rider or base rates. To remedy the issue, IPL proposes to recover \$205,728 (based upon the 2009 test year) of annual CIPCO expenses through the rider instead of redesigning all customer class base rates for the inclusion of this amount. IPL will not adjust Rider RTS for any actual monthly variances to this amount. This amount has been reflected in the projected 2012 transmission expenses.

In order to provide a more complete account of the development of this issue, staff will furnish more background information. The Rider balance had a large year-to-date over-collection balance when IPL filed its report for the month of April 2011 on May 25, 2011. In its approval letter of June 22, 2011, the Board's Policy Section Manager asked IPL to explain the over-collection in its next monthly filing. IPL filed a response on July 26, 2011, in its filing for the month of June 2011. IPL stated that it had reviewed 2011 estimated transmission expenses and compared them for the period January through June to the actual expenses incurred for the first six months of 2011. IPL identified several variances which staff included in its gray memo to the Board on September 12, 2011.

Additionally, in its review, IPL discovered that it had not been collecting the CIPCO investment true-up costs or the MISO Schedule 10 (Admin) charges in either base rates or through the Rider. IPL proposed to begin to collect those two expenses through the Rider with amounts fixed at 2010 expense levels consistent with RTS rate design. Staff agreed that IPL should collect the MISO Schedule 10 (Admin) charges through the Rider. However, staff did not agree that the CIPCO investment true-up charges should be recovered through the Rider. Staff believes that the Board's order of January 10, 2011, is unclear as to whether IPL can recover any CIPCO investment true-up cost through the Rider. Staff noted that a footnote on page 75 of the Board's order of January 10, 2011, states that IPL agreed not to include CIPCO transmission charges in the Rider in order to alleviate some concerns raised by LEG (Large Energy Group), an intervenor in the RPU proceedings.

In staff's gray memo to the Board of September 12, 2011, staff stated that it had informed IPL to contact LEG and obtain their understanding of the Board order before any CIPCO true-up costs can be recovered through the Rider. LEG has since informed staff that they do not believe that the \$205,728 base CIPCO transmission credit/true-up costs should be included in the Rider.

II. Legal Standards

Docket No. RPU-2010-0001 Final Decision and Order, issued January 10, 2011:

p. 66: The CIPCO true-up costs paid by IPL are known and measurable and are incurred in providing electric service to IPL's customers. IPL's customers, although largely served by transmission formerly owned by IPL and now owned by ITC Midwest, also must use other systems such as CIPCO's to receive service, and the true-up charges paid by IPL provide benefit to IPL's electric customers.

p.75: footnote no. 10: IPL agreed, to alleviate some concerns expressed by LEG, not to include CIPCO transmission charges in the rider.

p.138: Finding of Fact 21: It is reasonable to allow recovery of CIPCO transmission charges.

III. Analysis

There appears to be a contradiction between pages 66/138 and page 75 of the Board's Order in Docket No. RPU-2010-0001 as to whether IPL can recover CIPCO investment true-up costs through the Rider. IPL is requesting to include a base amount of \$205,728 for CIPCO investment true-up charges in the Rider. IPL has included the eight-month portion of the \$205,728 for 2011 in the reconciliation for 2011 as well as including the full amount of the \$205,728 in the 2012 projected expenses. IPL has stated that they will not include any changes to the base amount in the Rider. However, LEG has not given its approval to include the CIPCO investment true-up charges in the Rider. A decision must be made as to whether the CIPCO investment true-up charges can be included the Rider. IPL has stated that they prefer to recover the charges through the Rider instead of redesigning all customer class base rates for the inclusion of this amount. Staff believes that the best way to resolve the issue is to allow LEG an opportunity to provide its interpretation of the order. Staff recommends to docket the filings for investigation and ask LEG to file a response to IPL's interpretation of the order. IPL is also allowed to file additional clarifying information it deems necessary.

IV. Recommendation

Staff recommends issuing the attached order that docket and suspends IPL's filings of November 18, 2011, and December 1, 2011, in EAC-2011-0007 and TF-2011-0129 for investigation, and direct IPL to continue using 2011 factors until this matter is resolved.